APPENDIX A

2005–2010 AMENDED VERMONT INCENTIVE REGULATION PLAN FOR VERIZON

Effective July 1, 2005

This Amended Vermont Incentive Regulation Plan ("Plan") is established pursuant to 30 V.S.A. § 226b. The Plan establishes the method by which the Public Service Board ("Board") will regulate all intrastate telecommunications products and services offered in Vermont by Verizon New England Inc., d/b/a Verizon Vermont ("Verizon" or the "Company"), during the term of the Plan.

I. Term of the Plan

A. The Plan shall have a term of five and one-half years, commencing on July 1, 2005, and terminating on December 31, 2010. If the Board finds that Verizon failed to meet its Broadband deployment obligations under the Amended Plan through December 31, 2008, or is in material violation of any other term or condition of the Plan, it may, at its option, terminate the Plan as of December 31, 2008, in which case all further obligations under the Plan shall terminate, except that the Plan shall not be terminated solely due to any accumulation of service quality compensation points below 75 in a calendar year.

B. Verizon shall confer with the Department of Public Service ("Department") regarding an extension of the Plan or a successor plan at least one year prior to the conclusion of the Plan. Subsequent to conferring and consulting with the Department, but not less than ten months prior to the conclusion of this Plan, Verizon shall convey to the Board and Department the Company's intention regarding an extension of this Plan for an additional period or a proposal for a successor plan, if any. Verizon may request the Board to approve an extension of the Plan until the Board has approved a successor plan, but in no event may the Plan, as extended, continue in effect beyond the seven-year deadline set out in 30 V.S.A. § 226b(j).

II. Changes in pricing, terms, and conditions of Vermont-regulated intrastate telecommunications products and services

A. Existing regulated intrastate telecommunications products and services.

Existing regulated intrastate telecommunications products and services are any and all products and services that have approved intrastate tariffs on the commencement date of the Plan. Existing special contracts are governed by their own terms and those terms are not modified by this Plan.

1. The Company will not propose any price increases for existing regulated intrastate telecommunications products or services during the life of the Plan except:

a. As necessary to implement a rate adjustment arising from an exogenous event that produces a change as described in and subject to paragraph II.A.2., below.

b. If the Company or Department proposes, and the Board approves, a revenue-neutral restructuring of a regulated intrastate telecommunications product or service.

c. Services for which the Board has deemed a competitive market exists pursuant to 30 V.S.A. § 227a(a) shall not be subject to the Plan.

2. Exogenous Event

a. An Exogenous Event is one that is beyond the control of Verizon and that produces a positive or negative change in revenues or costs of regulated Vermont intrastate operations in excess of $1,000,000 in a single year. Changes due to changes in the economy, the effects of competition, and inflation do not constitute Exogenous Events. For purposes of the Plan, an Exogenous Event shall be limited to:

i. Changes in tax laws that are unique to the telecommunications industry;

ii. Changes in Generally Accepted Accounting Principles that apply specifically to telecommunications or changes in the Federal Communications Commission ("FCC") Uniform System of Accounts;

iii. Any FCC rule changes pertaining to jurisdictional separations;

iv. Regulatory, judicial, or legislative changes affecting the telecommunications industry, including rules and orders that are necessary to implement such changes.

b. The Department, the Board, or Verizon may propose a change in prices to offset the economic change resulting from an exogenous event. If the Department or Verizon proposes a change due to an Exogenous Event, the party proposing the change bears the burden of proof with respect to the change.

c. Price changes proposed as a result of an Exogenous Event shall be made to services on a cost causative basis to the extent reasonably practicable. Assignment of costs among existing services, new services, and unregulated services shall be made on a cost-causative basis to the extent reasonably practicable.

d. Price changes resulting from Exogenous Events must be approved by the Board.

3. Existing services, unless declared competitive under paragraph II.D.2., below, shall not be subject to the exemptions provided by paragraph II.D. of this Plan. This includes, but is not limited to, the right of the Company to change the terms and conditions, including withdrawal, of a product or service.

B. New products and services

1. New products and services include:

   a. regulated intrastate telecommunications products or services not now offered under tariff in Vermont;

   b. regulated intrastate telecommunications products or services introduced during and designated as "new products and services" under the Incentive Regulation Plan approved by the Board in Dockets 6167/6189;

   c. special or customer specific contracts offered to an individual or groups of customers executed after the effective date of the Plan; or

   d. any combination of new or existing products or services.

2. Pricing terms and conditions of new products and services shall be at the sole discretion of Verizon, subject only to meeting any relevant price floor obligation established by the Board and complying with the requirements of Dockets 5713 and 6077.

3. Pricing of new products and services may not unjustly discriminate among customers.

4. New products or services are not subject to the pricing restrictions, nor subject to price changes brought about by exogenous events, as described in Paragraph II.A., above.

5. Special contracts and other Section 229 arrangements must be limited to a term no greater than the later of three years from the date of commencement or until the end of this Plan.[1]

6. Tariffs for new products and services shall be effective 45 days after filing (except that a decrease in rates may be made on five-days' notice), but shall not be subject to suspension by the Board under 30 V.S.A. §§ 225 and 226. If, during the term of the Plan, the Board reduces or eliminates the 45-day notice period for competitive local exchange carriers, tariffs for new products and services shall be effective ten business days after filing unless the Board establishes a longer notice period for CLECs, in which case that period shall

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[1] In special cases, such as Centrex services, where Verizon and its customer both believe a longer time period to be necessary, they may seek prior approval from this Board. In such cases, the well-established procedures of Section 229 will apply.

apply. At the time Verizon files a new service, the Company shall submit information sufficient to demonstrate that the new service is consistent with any relevant price floor requirement. Verizon shall file all special contracts (as described in 30 V.S.A. § 229) prior to their commencement.

7. At the time a tariff is filed for a new product or service, or at least 30 days prior to the time the Company introduces or modifies a service or implements a technology change that may affect the privacy interests of consumers, the Company will file a statement of foreseeable impacts on customer privacy expectations. In the event that the statement identifies any potential privacy impact, the statement will describe any options the Company proposes to make available to customers to address privacy concerns. After review of this statement, the Board may open a proceeding to address the privacy issues and, on its conclusion, issue appropriate orders affecting the service. The service will remain in effect pending the Board's decision.

8. If Verizon bundles intrastate telecommunications services with interstate or unregulated services, it shall provide a plan to allocate reasonable revenue between the regulated intrastate service and other services. The board retains the authority to review the tariff filing to determine whether it is just and reasonable.

C. Promotional Offerings

The Company may offer products and services on a promotional basis. These offerings may be limited as to duration, dates, and times of the offerings, customers eligible to receive the offerings, and/or locations where offerings are made. Promotional offerings must be limited in term to 180 days. For purposes of the Plan, promotional offerings available for a term greater than 90 days must be available for resale. Pricing terms and conditions of promotional offerings shall be at the sole discretion of Verizon subject only to meeting any relevant price floor obligation established by the Board.

D. Exemptions

1. Sections 225, 226, 227, and 229 of Title 30 shall not apply, except as specified herein and in the Order in this Docket. Verizon shall continue to file tariffs during the term of the Plan. Section 218(a) shall not apply to new services and special contracts, except as specified herein and in the Order in this Docket.

2. Services for which the Board deems a competitive market exists, pursuant to 30 V.S.A. § 227a(a), shall not be subject to this Plan.

3. Services for which the Board determines the Company to be a non-dominant provider of telecommunications service throughout its Vermont service area, pursuant to 30 V.S.A. § 227c, shall not be subject to this Plan.

III. Service Quality

A. The Amended Service Quality Plan, attached hereto as Appendix B, establishes the method by which the Board will monitor and evaluate Verizon's service quality commitments to its retail customers over the term of the Plan.

B. Verizon shall continue to comply with service quality standards, consumer protection standards, and privacy protections adopted by the Board in Docket 5903 (and as may be subsequently modified or incorporated into rules), except that the terms and conditions of the Service Quality Plan will supersede any substantially similar retail service quality requirements, performance areas, baseline standards, and reporting methods required by Docket 5903.

C. Verizon shall comply with any wholesale service quality standards adopted in Docket 6255 or successor proceedings.

D. The term of the Retail Service Quality Plan shall be from January 1, 2005, to December 31, 2010, and shall be subject to early termination as of December 31, 2008, consistent with the provisions of this Incentive Regulation Plan.

E. For 2006-2010, Verizon shall file the quarterly reports identified in Section F(1) of the Retail Service Quality Plan on a monthly, rather than quarterly basis, and the reports shall (1) contain comparisons with prior year performance, and (2) identify any negative service quality deviations from the prior year's performance where the applicable 2005 benchmark was missed and Verizon's planned actions to address the deviations. Verizon shall file a report with similar information comparing 2005 to 2004 results.

IV. Annual Investment

During the term of the Plan, Verizon shall maintain at all times a level of infrastructure investment and operating expenditures sufficient to maintain the ongoing integrity of its network and the reliability and availability of its services.

V. Modifications

Verizon or the Department may petition the Board to modify any of the terms or conditions of the Plan: (i) to reflect the impact of relevant provisions or decisions enacted or issued by federal or state legislative, judicial or administrative bodies subsequent to the Board's approval of the Plan; or (ii) to seek a revised form of regulation of the Company's operations based upon changes in market conditions. In any proceeding, the burden shall be on the petitioner to establish a reasonable basis for the modification. A request for modification under this section shall be limited to events that are both material and were not reasonably foreseeable.

VI. Broadband Deployment

A. Verizon shall make broadband service available under this Plan as follows:

By December 31, 2007: 65% of lines qualified.

By December 31, 2008: 75% of lines qualified.

By December 31, 2009: 77% of lines qualified.

By December 31, 2010: 80% of lines qualified.

The 2009 and 2010 milestones shall not apply if the Plan is terminated as of 2008. Achievement of qualified line milestones shall be measured by comparing the number of business and residential telephone lines and terrestrial wireless line equivalents qualified for broadband (as defined herein) with the total number of residential or business lines on the date of the milestone. Verizon may count at least one line equivalent per verified premise in telephone exchanges it serves, and may count multiple line equivalents per premise equivalent to the number of telephone lines it provides to the premise. DSL-qualified lines shall be considered to be 'broadband', provided that data transmission rates are at least as high as those commonly available on DSL lines provided by Verizon in Vermont as of January 1, 2006. Verizon Central Offices and Remote Terminals capable of providing DSL service will be equipped to support DSL data transmission rates of at least 1.5 Mbps downstream and 200 kbps upstream but actual transmission rates will vary because of loop lengths or other inherent limitations on a line. Verizon may also meet its broadband expansion commitments under the Plan through the use of other, non-DSL wireline or terrestrial wireless technologies that have the capability to provide transmission speeds at least as high as those commonly available on DSL lines provided by Verizon in Vermont as of January 1, 2006, and are equipped to support data transmission rates of at least 1.5 Mbps downstream and 200 kbps upstream, although actual transmission rates may vary because of inherent limitations on a line or link.

Prior to October 1, 2008, Verizon and the Department shall jointly review the improvements that have been made. Verizon shall file with the Board and Department by January 31 of each year until January 31, 2011, a confidential report describing for the then-current year (1) any improvements tentatively planned and (2) the target percentage of working access lines for which broadband will become available in the coming year; provided that Verizon retains sole and absolute discretion as to the manner in which it makes Broadband service available. The report shall also describe for the previous year (1) any improvements completed and (2) the percentage of working access lines for which broadband is available.